

THE WELFARE
WHITE PAPER

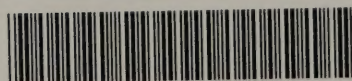
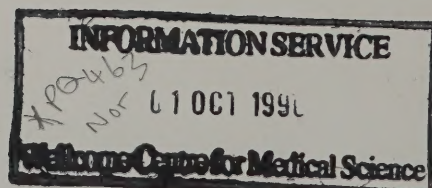
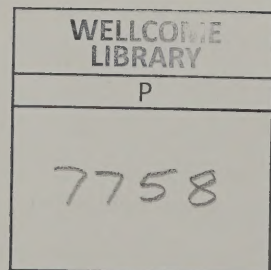
Welfare towards 2030



THE NORWEGIAN MINISTRY
OF HEALTH AND SOCIAL
AFFAIRS

<i>We must create a basis for the welfare we desire.....</i>	<i>p. 3</i>
<i>Equal distribution between generations</i>	<i>p. 5</i>
<i>Work must be the preference.....</i>	<i>p. 7</i>
<i>Improved supply of services.....</i>	<i>p. 12</i>
<i>A stable pension policy.....</i>	<i>p. 14</i>
<i>Tax advantages for pension insurance purposes will be maintained</i>	<i>p. 17</i>
<i>Improved administration - dividends in the future.....</i>	<i>p. 19</i>

Contents



- A high employment participation rate is a condition for welfare
- Improvement of care and attendance services
- The Government will protect and preserve the National Insurance Scheme

present, with a basic pension equal for all, and a supplementary pension providing former occupationally active persons a certain compensation rate in relation to the income from work they have become accustomed to.

- The welfare schemes shall continue to be publicly financed and cover everybody. The schemes shall provide security and opportunities for each individual citizen.

I.

We must create a basis for the welfare we desire

In its White Paper No. 35 (1994-95), "The Welfare White Paper", the Norwegian Government presents its program for our welfare state. The main message conveyed by the White Paper is that our welfare schemes shall be maintained. Surveys have shown that these welfare schemes are based on values enjoying general public support. The Government regards these schemes as main instruments for social and economic stability and an equitable redistribution.

We must also take into consideration the challenges of the future. The National Insurance Scheme is a social contract between generations. The Government wishes to avoid a situation where the existing welfare schemes become a too heavy burden on future generations.

DEFEND THE NATIONAL INSURANCE SCHEME

The Government intends to maintain the Norwegian welfare system, and to improve it even further. The aim is a stable and more equitable society, providing employment for all and an enhanced quality of life for each individual resident.

- The National Insurance Scheme is at present the most important instrument for social security and redistribution. The Government will consequently preserve and protect the National Insurance Scheme. The pension system will be maintained as it is at the

GREAT CHALLENGES

The Government will not try to hide the fact that we are faced with great challenges regarding the future financing of our welfare schemes. Demographic prospects indicate a considerably increased number of pensioners after the turn of the century. These pensioners will have acquired and be entitled to higher pensions than present pensioners, both from the National Insurance Scheme and from other insurance schemes. A growing number of elderly will also increase the demand for health and social services.

IMPROVEMENT OF CARE AND ATTENDANCE SERVICES

The demand for care services may be expected to increase even more than the demographic development indicates. This is inter alia due to the growing number of elderly living alone, the potential reduction of private care and greater expectations and demands on the assistance apparatus and services. The Government will consequently strengthen the services provided in the care and attendance sector.

- The Government will give priority to a further development of care and attendance services, adapted to future needs. The Government will consequently, in the fiscal budget for 1996, propose a set consisting of several connected measures, amounting to NOK 500 millions, in order to further develop municipal services.

- Due to the expected increase in the expenditure of the National Insurance Scheme, it will not be possible to introduce any new costly pension reforms. The Government is of the opinion that care and attendance services must take priority.

THE WORK APPROACH AND THE WELFARE POLICY

Economic growth is necessary in order to meet the future financial obligations of the National Insurance Scheme. The Work Approach constitutes a vital element in the Government's strategy to establish a firm basis for our welfare schemes. We must create the basis for the welfare we desire.

By means of the Work Approach the Government aims at:

- Enhanced and more equitable redistribution of the welfare.
- Reduce the need for redistribution from the occupationally active population to social security beneficiaries.
- Increase the number of persons in position to contribute to the financing of social security.

■ ■ Opinion polls show strong public support for universal welfare schemes, such as old age pension and health and social services. Approximately two out of three Norwegians prefer either to maintain the welfare schemes at the present level or to improve them further. People do in general expect more - not less, from the welfare state.

8539
X 15463
Nor

The Government wants to emphasise that work is to be regarded as valuable for the individual person himself. The Work Approach entails that as many as possible shall be able to support themselves by their own work, and that persons with social problems and health problems shall be helped in order to manage their daily activities themselves as far as possible.

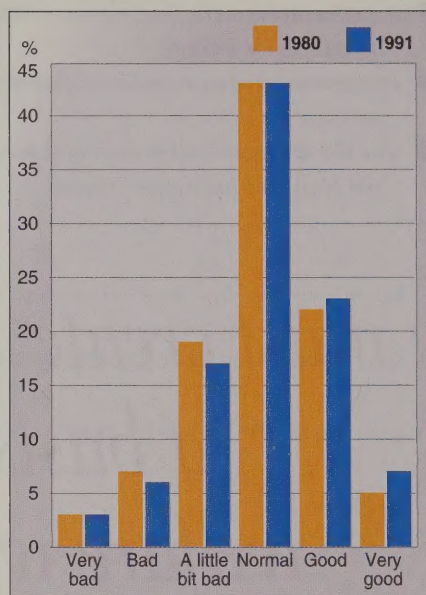
Work must consequently be the obvious preference for persons of occupationally active age. Simultaneously, the Government will maintain and further develop the National Insurance Scheme as an adequate safety net for those persons who are unable to participate in the labour market for health reasons.

For the sick and others temporarily unable to work, the Government will provide rehabilitation, education and other qualifying measures.

The Government is of the opinion that the welfare schemes should motivate persons of occupationally active age to engage in gainful employment rather than become permanently dependent on social security benefits. In order to safeguard our social security and welfare in a long-term perspective, it is necessary to reduce the number of persons dependent of permanent social security benefits.

IMPROVED LIVING CONDITIONS - BUT NOT, HOWEVER, FOR EVERYBODY

The living conditions were improved for most Norwegians during the 1980s. The income distribution remained relatively stable during this period. In addition, the living conditions have improved in general during the period 1980-91. Economic and social problems due to labour market problems have been the most important negative feature in this respect.



The development of the living conditions in the period 1980-91. In per cent of the population between 18 and 79 years of age.
(Source: Statistics Norway)

Among the categories of beneficiaries it is in particular the long-term unemployed and social assistance recipients who have experienced an aggravation of their conditions.

The elderly part of the population has generally a lower income than other age groups. They do, however, belong to the population groups, whose living conditions have improved mostly over the last decade. Increased benefits from the National Insurance Scheme, service pensions and income from capital have contributed to this. This trend is expected to continue also during the coming decades.

The Government will preserve the social security which we have already achieved for the majority of the population, and aspire to maintain the redistribution of income and living conditions also in the future. The basic features of the existing welfare state will be maintained, but the resources will be targeted better by way of improved priorities and redistribution of the total resources available. The welfare schemes will also in the future be universal, but more emphasis will be put on a redistribution in favour of the most disadvantaged.

The Work Approach constitutes a vital element in the Government's strategy to establish a firm basis for our welfare schemes.

- Increased number of elderly in the next century.
- Only a small increase in the labour force.
- Long-term economic policy is vital in order to secure that the National Insurance Scheme will continue to be the girder for the social security of our descendants.

2.

Equal redistribution between the generations

Are we able to maintain a welfare system with a high level of ambition even when the income from the petroleum industry starts to decrease in the next century?

The fundamental aim for the Government is to provide employment opportunities for all able-bodied persons, and that we also in the future shall be able to maintain our welfare. Future generations shall not be liable to inappropriate and unreasonable costs due to the current policy. Neither shall they have to endure a reduction of their purchasing power compared to the generations of today. Future pensions and welfare schemes may consequently be sustained without significant increases of taxes and contributions on the part of the occupationally active population.

- - In 1991 there were 44 pensioners per 100 occupationally active. In 2030 the ratio is expected to be 57 per 100.
- - In 1990 the total expenses incurred by old age and disability pensions from the National Insurance Scheme amounted to approximately 8 per cent of the Gross Domestic Product (which is our aggregated production of goods and services). In 2030 this figure may increase to 17 per cent.
- - The income from the petroleum industry will start to decrease in the next century.

THE NUMBER OF ELDERLY WILL INCREASE

Even with a moderate economic policy and long-term financial planning, the Government recognises that we are faced with major challenges. Demographic projections and the prospects for economic growth may demonstrate what is in store for us.

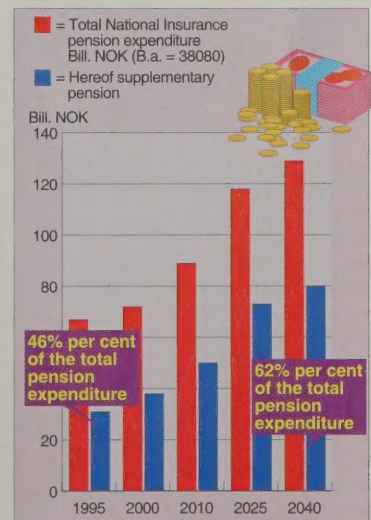
Calculations of this kind indicate that the prospects of economic growth in Norway are relatively modest in a short-term perspective. The occupationally active population will increase only to a minor extent, while the number of pensioners will increase considerably from some years into the next century.

As a result of the existing provisions concerning entitlement and calculation of pensions, future pensioners will have acquired and be entitled to higher pension amounts than present old age pensioners. More elderly also means an increased demand on health and care services. As a result of all this, public spending will increase.

Moreover, as the number of persons 55 to 66 years of age will also increase, an increase of the National Insurance Scheme expenditure for disability pension purposes may also be expected.

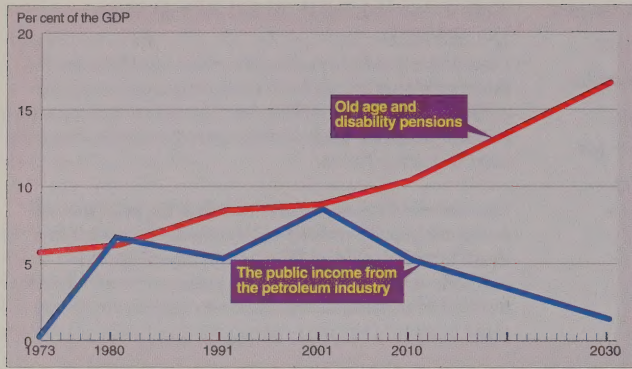
INCREASED BURDENS OF SUPPORT

The National Insurance Scheme pensions are financed on a pay-as-you-go basis by general tax revenues and contributions. Increased pension expenditure and an increased demand for social and health services means a heavier burden of the support and maintenance responsibilities on the part of the occupationally active population in the future. This will in particular be the case after 2010. Without prior savings, it will be extremely difficult for future generations to meet the obligations inherent in the National Insurance System.



The National Insurance Scheme's pension expenditure in the future

(Source: The National Insurance Administration)



The public income from the petroleum industry will decrease towards 2030, and the pension expenditure will increase as a share of the GDP (Gross Domestic Product). (Source: The Ministry of Finance)

It is hard to predict the future, and projections are always uncertain. The challenges may be even greater than envisaged if the average life expectancy increases more than expected, or if the birth rate becomes lower. On the other hand, extended economic growth may improve the financial basis of the pension system in the future. The situation has many aspects.

A successful policy based on the Work Approach may result in a substantial reduction of the number of disability pensioners in 2010 compared to a scenario where this policy fails. It must be stressed, however, that all persons who have had their abilities to work reduced due to permanent health problems, shall continue to be entitled to disability pension benefits.

Social Security and employment policies are both determining factors for defining the conditions for our economic freedom of action in the years ahead of us. If the Government succeeds in its economic policy and by the use of the Work Approach, the future may not seem so gloom. This will, however, require a moderate economic policy without new expensive reforms of the pension system, such as e.g. a reduction of the general pensionable age.

Also the **taxation policy** must take these realities into consideration. In a situation characterised by a growing number of pensioners receiving higher pension income, the Government regards it as warranted to review the special tax advantages for this category. A gradual convergence of the tax liabilities of pensioners in receipt of high or medium level income compared to other income groups, will ensure a more fair distribution of income between the generations.

More equal taxation will also provide a better basis for an improvement of the public services for senior citizens and the handicapped in the future.

The Government's economic strategy for preserving our social welfare schemes is based on the policy expressed in The Long-term Programme 1994-1997. The Government will pursue an economic policy which can form the basis for a continuation of modest increases in prices and wages in order to promote our ability to compete and thus strengthen the basis for a high level of employment.

The so-called "generation account" has demonstrated that Norway's public budgets must show substantial surplus in the years to come, in order to prevent that a too heavy tax burden is imposed on future generations.

Projections which have been made, indicate that this policy is feasible. Based on preliminary estimates, the first allocations to the State Petroleum Fund may be made in 1996. It is essential to implement a fiscal policy which will make it possible to allocate a substantial part of the increased revenues from the petroleum industry to the State Petroleum Fund. The dividends from a fund like this will be of considerable help in order to preserve the welfare schemes in a long-term perspective. The Government is of the opinion that public saving in terms of fiscal budget surplus is necessary in order to guarantee welfare and redistribution between the generations in a long-term perspective.

Elderly persons are a vital asset to the community.



- *Social security policy must emphasise that work must be the preference.*
- *Combination of work and social security benefits will enable categories who traditionally have had a low labour market participation frequency to enter the labour market.*
- *The Government will propose measures in order to increase the labour market participation among groups of young people, disabled, single supporters and elderly.*

3.

Work must be the preference

A main objective is improved quality of life and social independence and self-reliance for the disabled and the permanently ill. The Government will endeavour to achieve a further reduction in absence due to sickness and limit the number of new entries into the disability pension scheme. By concentrating the efforts on active measures in order to enable more persons to engage in remunerated employment, more resources will also be available to the individual and to the community.

Youth: Improved services

Youth is one of the groups on the labour market that are especially exposed and vulnerable when unemployment increases. The unemployment rate is higher among young people than in other age groups.

Even if the duration of unemployment generally may be relatively short for the young, there are nevertheless some who continue to be unemployed for a long period of time. This applies in particular to young persons with very little education or persons who have not finished an education. In addition they may also lack vocational experience. Labour market measures for the young will be adapted to the labour market conditions and the needs of the unemployed. The most important measures are vocational training (AMO - Labour Market Training) and apprenticeship contracts. Young social assistance recipients are an important target group for the co-operation between the Social Assistance Services and the Labour Market Administration.

Proposals

- The Government will increase the efforts for the young. All unemployed persons between 20 and 24 years of age, who have not received any offer of employment, education or vocational training the last six months, shall be offered vocational training unless employment or education opportunities are made available.
- These efforts shall be co-ordinated and individually adapted by a closer co-operation between the labour market office, the national insurance office, the social assistance office and the unemployed himself. The unemployed shall be assisted and supervised according to an individually adapted qualification plan.
- The possibility to make requirements concerning activity on the part of young unemployed recipients of social assistance shall be extended.
- Social assistance benefits shall continue to be a means-tested safety net.

It is particularly important that young persons are offered employment or education. The Youth Guarantee will provide these opportunities to the long term unemployed below the age of 25.



Single supporters: More generous benefits over a shorter period of time

The Government will amend the benefits to single supporters. The intention is partly to provide incentives for single supporters to seek work, education and self-subsistence, partly to improve the transitional benefits granted to this group of beneficiaries. Extensive payment periods may very well be detrimental to the ability to later self-subsistence. The benefits to single supporters shall provide income security in a transitional period when child care makes it difficult for the beneficiaries to support themselves by remunerated work. It is important to provide adequate income during the first years after confinement. A concentration of efforts on vocational qualification and measures to reinforce or establish links

to the labour market, must be regarded as an investment which will ensure a permanent improvement of the economic conditions of single supporters.

REVIEW OF CHILD ALLOWANCES

The Government does not propose any amendment of the Child Allowance Scheme in the Welfare White Paper, but will appoint a public committee to study the total public services and benefits for children and youth below 18 years of age.

Proposals

- The transitional benefit shall be

increased, but the maximum payment period shall as a main rule be limited to three years. This benefit should be raised to NOK 70 000 per year. In order to finish an education deemed necessary, an extension of the payment period by two extra years may be granted. In case of sick children, or if the child is in need of extensive attendance, the payment period may be extended until the child becomes 18 years of age.

- An extra small children's supplement is proposed in favour of single supporters in receipt of full transitional benefits and in care of children between 1 and 3 years of age.

- Child care benefits shall correspond to the actual expenses, and be increased in case of heavy expenses for child care purposes.

- A basic allowance of NOK 1000 per term (of six months) for educational purposes will be proposed.

- Requirement that single supporters shall be available for work compatible with the child care, if transitional benefits are to be granted after the youngest child has reached three years of age.

- The lump sum birth grant to single supporters should be abolished.

- Single supporters in receipt of unemployment benefits shall be entitled to keep a greater part of the transitional benefit than at present.

Occupationally handicapped: Easier to combine work and benefits

The Norwegian labour market must provide opportunities for employees with medical impairments, not able to perform as well as other workers. The Government advocates medical and vocational rehabilitation in order to provide the possibility of an improved quality of life and social self-reliance for the disabled and the permanently sick. Quite a few, e.g. of the recipients of disability pensions, possess a residual working capacity, which could be utilised in the labour market. The Government will implement measures in order to increase the possibility for more persons to take remunerated employment by combination of employment and benefits. It will also be made easier to return to disability pension if the attempted employment is unsuccessful.

DISABLED: HELP AND ASSISTANCE TOWARDS SELF-RELIANCE

Severely disabled are in need of services and a range of measures based on multi-professional co-operation, which also must take into account the fact that disabled children will become youth, adults and elderly.

The pilot project for providing the disabled employee a personal assistant is a part of the efforts to achieve more expedient and targeted services. More coherent and comprehensive rehabilitation, improved co-operation and interaction between departments and agencies are likewise important factors in this respect.

Modern technology has improved the possibilities of self-reliance for the disabled.



Proposals

- Increase the number of specially adapted employment positions for the disabled. This entails inter alia improved supervision and assistance during the transitional phase from education to employment, and an improved co-operation between services.
- Greater flexibility and opportunities to combine employment and benefits.
- Incentives for the labour market parties to provide work opportunities for the occupationally disabled.
- Temporary labour market measures should be offered to the disabled as an alternative to permanent support; permanent support should only be granted to those who are most severely exposed on the labour market. Individual rehabilitation plans should be drafted.
- Functional assistants shall be provided in order to provide disabled persons practical assistance at the place of work.
- The disabled will be offered adapted and appropriate education at postgraduate level. Information technology will be an important aid in this respect.

IMPROVED SERVICES AND DWELLING CONDITIONS

Care and attendance services for the disabled shall not only comprise ordinary home assistance and home nursing services, but also services enabling the persons concerned to maintain an active social life. Services designed to improve the possibilities to participate in work and education are also vital. Relief arrangements, personal support, spare time and leisure arrangements, transport services and personal assistance are examples in this context. Furthermore, it is vital to establish an adequate supply of services outside institutions for the more than 2000 disabled who are currently accommodated in institutions, cf further details in Section 4.

EXTENDED POSSIBILITIES TO COMBINE EMPLOYMENT AND BENEFITS

Entitlement to benefits under the disability pension scheme requires that the person concerned is prevented from gainful occupation due to permanent sickness or disability.

Disability pensioners shall be encouraged to attempt taking up employment. Enterprises shall not encourage an employee to apply for a disability pension, unless this is warranted. Temporary labour market measures must have preference, as compared to permanent benefits. Permanent support should only be granted to those who are most severely exposed on the labour market.

By providing extended possibilities to combine employment and benefits, the Government expects that handicapped persons will be encouraged to attempt an occupation. If the initial attempt is successful, it will also make it easier to extend the work efforts later on, and subsequently make it possible to reduce the degree of disability. The persons concerned shall be able to do so without risk of losing their benefits if the attempt fail.

Proposals

- Pilot project involving that a disability pension may be granted according to a degree of disability below 50 per cent in connection with a specified employment plan, approved in advance.
- The national insurance offices are authorised, in individual cases, to assess a preliminary degree of disability between 50 and 100 per cent, according to the residual working capacity of the person concerned.
- The threshold amount for additional income from work which is permitted before a reassessment of the degree of disability is required, should be raised to 1 B.a.*.
- Anti-cumulation provisions will be proposed in the case of over-lapping of disability benefits and "gratitude pension" or similar grants from employers.
- It will be possible to maintain entitlement to a disability pension during work attempts for an extended period.

EQUAL GUARANTEED PENSION AND HARMONISATION OF PROVISIONS CONCERNING AGE FOR PERSONS WHO ARE BORN DISABLED OR HAVE BECOME DISABLED AT AN EARLY AGE

The Government will propose amendments of the conditions for benefits to persons who have become disabled at an early age, in order to target the benefits better and to harmonise the age requirements in the different schemes.

It is hard to make persons who already have been granted a disability pension, sufficiently motivated for rehabilitation. Rehabilitation should, however, be the preference for disabled youth. For this reason, the Government will consequently raise the age limit for entitlement to a disability pension from 16 to 18 years of age. It will be proposed to improve the guaranteed minimum supplementary pension for persons who are born or have become disabled at an early age. Persons born prior to 1943 will be granted a guaranteed minimum supplementary pension of an equal amount as applies to persons born in 1943 or later.

Proposals

- Rehabilitation should be the preference for disabled youth.
- The age limit for entitlement to a disability pension should be raised from 16 to 18 years of age.
- Person fulfilling the conditions for guaranteed minimum supplementary pension, but who make an attempt in the working life (after becoming 24 years of age), shall preserve, for a period of e.g. 10 years, their entitlement to the guaranteed pension.
- Persons who have become disabled before the age of 24, and who were born prior to 1943, will be granted a guaranteed minimum supplementary pension of approximately NOK 95 000, approximately NOK 5000 above the present amount.

* B.a.= The Basic amount of the National Insurance Scheme, NOK 39 230 per 1 May 1995

BASIC BENEFIT AND ATTENDANCE BENEFIT: IMPROVED COMPENSATION FOR EXPENSES

Recipients of basic and attendance benefits are entitled to special tax deduction. It will be proposed to abolish this arrangement. The Government will instead increase the rates of direct benefit payments from the basic and attendance benefits scheme. New rates and conditions for entitlement will be introduced with regard to basic benefits. These suggestions imply a redistribution in favour of those who have the highest expenses. This is in line with the original intentions behind basic benefit scheme: to compensate substantial expenses caused by sickness.

Persons in need of paid assistance or extensive help and assistance from members of their family, are entitled to attendance benefits. Enhanced attendance benefits may be granted to children and youth under 18 years of age. Enhanced attendance benefits are not granted in combination with disability pension or with medical rehabilitation allowance, unless special circumstances so warrant for persons between 16 and 18 years of age. The Government will raise the age limit for entitlement to a disability pension from 16 to 18 years of age. Instead the entitlement to enhanced attendance benefits should be extended and cover a wider range of beneficiaries.

Proposals

- For future cases, the basic benefit scheme will be restricted to persons whose expenses equal or exceed the lowest basic benefit rate.
- The provisions that the two highest basic benefit rates shall cover expenses for transportation as well as other purposes, should be repealed.
- Introduction of a new and higher basic benefit rate.
- Proposals will be made in order to increase all attendance benefit rates, in particular the highest rate of enhanced attendance benefits to children and youth. This will benefit families with children mostly in need of care and attendance.

Absence due to sickness: The labour market parties have responsibilities

To maintain the absence due to sickness at the present level or to reduce it further, will pose a great challenge in a situation with an increasing number of elderly in the work force. It will consequently be expected that the labour market parties continue to further develop their successful co-operation efforts to reduce absence due to sickness. Based on this, the Government will not propose any amendments of the sickness cash benefit scheme. It will, however, continually evaluate the scheme in light of the results which are obtained.

The Government will evaluate the National Insurance Administration's routines for supervision and intervention in cases where sickness benefits are drawn.

For certain categories of recipients, it may later become warranted to introduce such measures after a period of 4 weeks has lapsed, without waiting for 12 weeks as at present. The National Insurance Office may then be able to intervene in relation to risk exposed groups at an early stage.

Proposals

- The sickness cash benefit scheme will be maintained as it is, but absence due to sickness should preferably be reduced even further.
- The labour market parties must continue to further develop the co-operation efforts to reduce absence due to sickness.

Rehabilitation: The first step

The Government will emphasise improvements of the measures for the occupationally handicapped. The aim is to enable as many as possible to get an occupation and support themselves. Everyone should be able to contribute to their self-support and to the community according to their skills and abilities.

Vocational rehabilitation is an active measure intended to counteract exclusion of occupationally handicapped persons from the labour market. The purpose of vocational rehabilitation is to integrate occupationally handicapped persons in ordinary work. For some occupationally handicapped persons, sheltered employment is necessary, but this does not necessarily imply that such measures must last permanently. Various measures are presently offered to the occupationally handicapped, adapted to individual needs and conditions. Plans and supervision throughout the rehabilitation process are of vital importance in order to improve the services and measures for the rehabilitation clients.

Medical rehabilitation generally, and rehabilitation of persons suffering from muscle and skeleton diseases or injuries in particular, is a field which the Government will pay considerable attention. The purpose behind rehabilitation is to enable the person concerned to return to the labour market, and consequently avoid or postpone the need to start drawing a disability pension. Medical rehabilitation allowance may provide benefits for subsistence during a transitional period.

Proposals

- The counties and municipalities should provide more comprehensive rehabilitation services.
- A national strategy for medical rehabilitation shall be outlined in order to clarify the professional contents involved in rehabilitation efforts, and also to clarify the respective responsibilities between the state and the counties and municipalities and the different levels of the health services.

- The Government will consider an amendment of the calculation rules regarding medical and vocational rehabilitation allowances in order to simplify the administrative work, and in order to emphasise the temporary nature of these benefits.
- The Government will strengthen the professional level of competence of the rehabilitation services.

Elderly employees: More freedom of choice

The Government wants to have a flexible pension system, providing for early retirement as well as deferred retirement. Employees that for different reasons wish to retire before the age of 67, will have the opportunity to do so through the optional early retirement scheme (AFP) agreed between the labour market parties. AFP covers 2/3 of the working population at present.

In order to protect future generations from unnecessary burdens with regard to pension, it is a long-term goal for the Government to increase the average retirement age. Today the average retirement age is about 61 years. The efforts should be made towards groups losing their foothold in their professional life.

To avoid undesired early retirement, it is necessary to sustain an explicit norm with regard to retirement age both in the National Insurance Scheme and in supplementary schemes. The retirement age of 67 in the National Insurance Scheme will, therefore, be maintained.

Consequently, the Government will not contribute to further reduction of the retirement age within the AFP.

The share of persons within the age of 67 to 70 who are occupationally active, has decreased from close to 17 per cent in 1990 to just over 12 per cent in 1994. The Government will propose to amend the provisions governing the combination of pension from the National Insurance Scheme and income from work in order to enable more persons to continue working.

Proposals

- The level of deduction from pension payable due to income from work should be reduced from the present level of 50 per cent of the salary above the threshold.
- The provisions providing that the total of income from work and pension can not exceed the former income from work, will be proposed to be repealed.

A reduced level of deduction from pension payable because of income from work will imply that persons who continue to work after the age of 67, will maintain more of their pension than today.

The repeal of the limit on total income and pension may lead to an increased total income for occupationally active persons over the age of 67. Calculations show that particularly persons with low income will benefit from continuing working with the more favourable provisions on deduction of pension payable because of income from work.

The purpose of more favourable provisions on deduction of pension payable because of income from work is to encourage more persons to stay occupationally

active for a prolonged period of time. The pensioner can still receive income from work equal to the basic amount (NOK 39 230) without having the pension reduced.

THE PROVISION ON 20 BEST YEARS SHALL BE MAINTAINED

It is the opinion of the Government that there is no reason for amending the system of a maximum pension earning of 40 years and where the 20 years of highest income are taken into account when the National Insurance pension is calculated.

The Government will encourage elderly employees to postpone their retirement somewhat.



- *Increased development of housing with care and attendance services and of services at home.*
- *Enhanced supply of nursing homes in municipalities where needed.*
- *Enable young disabled persons to leave institutions.*
- *Ways of financing that creates a flexible and comprehensive supply of services.*
- *The Government proposes to spend NOK 500 millions on enhancement of care and attendance services in the municipalities.*

4.

Improved supply of services

As a consequence of the demographic trends the number of elderly people over 80 years of age and in need of care can be expected to increase considerably towards the year 2010. This implies increased need of care and attendance services. Correspondingly the future elderly person will have a better economy, higher education and be accustomed to a better standard of living than before. The future consumers of municipal services will probably, because of the increased standard of living, have higher demands with regard to both freedom of choice and quality of the local care and attendance services. On this background the Government wants to promote a better supply of services.

MORE INSTITUTION BEDS AND SINGLE ROOMS

In the last 20 years there has been an increase in the number of beds in nursing homes and in service accommodations. In the same period the degree of coverage has decreased somewhat, which has to be seen in connection with the municipal priorities of the provision of services at home as opposed to care and attendance services.

The Government will stimulate the increased

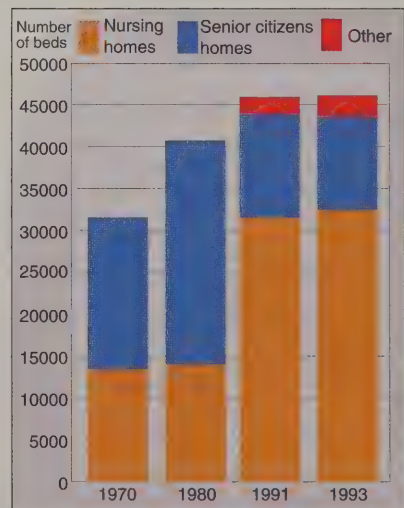
development of service accommodations and beds in nursing homes, especially service accommodations. In some municipalities there are still need for more nursing home beds. The Government wants to facilitate the means and thus enable the municipalities to, where needed, enhance the supply of nursing homes.

It is also a goal for the Government to provide single rooms for long-term patients in institutions.

Proposals

- Increase in spendings by NOK 80 millions on new service accommodations and nursing home beds, and increased spendings by NOK 20 millions on the reconstruction of multi-bed rooms to single-bed rooms in institutions. Moreover, the Government wants to stimulate the municipalities to establish a 24 hour home based care and attendance service. This is a necessary condition for making the service accommodations a good alternative to institutions even for persons in need of extensive care and attendance.
- Increase in spendings by NOK 115 millions on enhancement of the care and attendance services.
- A spending of NOK 150 millions to municipalities that either have established or will establish 24 hour service.

The proposals will have effect on the 1996 fiscal budget.



Development of number of beds in nursing homes and in senior citizens homes in the period 1970 - 1993.

(Source: Statistics Norway
Daatland: NGI-report no. 1/94.)

ENABLE YOUNG PERSONS TO LEAVE SENIOR CITIZENS HOMES

Today there are more than 2000 physically disabled persons under the age of 67 living in municipal and county senior citizens homes and nursing homes. Many persons find this undignified. It is desirably to develop alternative ways of care.

Proposals

- A spending of NOK 70 millions in 1996 to enable the municipalities to start the development of other kinds of accommodation for disabled persons under the age of 50. At the same time this will make nursing home beds available for other persons.

ENHANCEMENT OF VOLUNTARY EFFORT

The co-operation between the voluntary forces and the public sector shall continue to be encouraged.

Proposals

- Increased spendings by NOK 5 millions for the establishment of new centrals for voluntary services.

NEED FOR AMENDMENTS OF THE FINANCING

The care and attendance services shall continue to be financed by a combination of public means and payments from the clients. The system of user's payment must take into account the improved economy and standard of living of the future pensioners. However, a social profile must be upheld in order to shield the persons with the lowest income and pensions. In order to ease the situation for pensioners with low income and high housing expenses, the Government will propose an increase in the housing allowance scheme of the Ministry of Health and Social Affairs.

There are a number of defaults with regard to the use of the system of client's payment and public grants in the care and attendance system. There is a need for a comprehensive scrutiny of the different ways of financing. The aim will be to develop financial arrangements that stimulates a supply of services that is optimally adapted to the needs of the clients.

Proposals

- The Government will appoint a committee to evaluate the financial arrangements with a view to develop financial systems that takes into account the need for comprehensive solutions and flexibility of the services.
- Increased spending by NOK 60 millions in 1996 of the housing allowance scheme of the Ministry of Health and Social Affairs.

During the 1980s an increased supply of attendance services at home was developed in line with the desires of the clients.



- *The National Insurance Scheme will remain the main pillar of the pension system.*
- *Adjustments in some pension schemes in order to improve the redistribution profile.*
- *The taxation of pensioners with medium and higher income should gradually be changed. Disability pensioners with particular expenses shall receive a special compensation.*

5. Stability in the pension policy

The National Insurance Scheme will provide a pension to any person who either reaches the retirement age, becomes disabled or loses his/her spouse. The National Insurance Scheme will both secure the basic security by providing a minimum pension to everybody, and a certain degree of accustomed standard of living through a supplementary pension to occupationally active persons. The supplementary pension will reflect the extent of occupation performed and the level of income. The Government will maintain the provisions on calculation of supplementary pension and maintain the system of survivor's pension and supplements for dependant spouse and children.

Pension exceeding the level of pensions from the National Insurance Scheme will mainly be provided by service pension from employer and/or private pension schemes.

Today, due to special tax provisions applicable, pensioners are liable to pay lower taxes than occupationally active persons at the same income level. The difference is partly due to historical reasons. Because the social insurance system was undeveloped, pensioners generally received low benefits. This will change in the future:

- The number of persons receiving minimum pension will decrease considerably, mainly due to the increased number of women that became occupationally active from 1970s on.
 - More pensioners will be eligible for high supplementary pensions from the National Insurance Scheme.
 - More pensioners will be entitled to a service pension in addition to benefits from the National Insurance Scheme.
- This development implies that more persons will have a higher income from pension and capital than before. This development will continue. The reasoning establishing the basis for the special favourable tax provisions for pensioners with medium and high income, therefore, are being changed accordingly.

Proposals

- Gradually changing of the tax on pensioners with medium and high income.
- Pensioners receiving no other income than the minimum pension shall still not be liable to pay tax.
- Tax on income from pension just exceeding the level of the minimum pension shall continue to be low.

The National Insurance Scheme will remain the main element of the income of pensioners.



- Disability pensioners having particular expenses because of the invalidity will receive compensation through an adjustment of the basic benefit and the attendance benefit.
- The changes in the taxation of pensioners will be gradual in order to avoid sudden changes in disposable income.

LOWER BASIC PENSION TO PENSIONER WITH SELF-SUPPORTING SPOUSE

The level of basic pension to married pensioners is lower than the level of basic pension to single pensioners. The reason is that it is more expensive to live alone. According to the provisions applicable today the basic pension for a pensioner married to an occupationally active person is higher compared to the basic pension for a pensioner married to a pensioner (1 B.a. and 3/4 B.a. respectively). With regard to redistribution it is unreasonable that a pensioner married to an occupationally active person shall receive a higher pension than a pensioner married to a pensioner.

Proposals

- Basic pension to a pensioner with self-supported spouse will be reduced from 1 B.a. (= NOK 39 230) to 0.75 B.a. (= NOK 29 423) and thus equal the basic pension of a pensioner married to a pensioner.

In order to shield those with the lowest income it is proposed that the reduction of the basic pension will only apply where the self-supporting spouse is receiving an income exceeding 2B.a. (= NOK 78 460).

The amendments will only apply to future pensioners.

LOWER "INHERITED" PENSIONS IN THE FUTURE

The provisions applicable today ensure the surviving spouse a pension at lest equal to the survivor's pension. A surviving spouse eligible for disability pension or old age

pension is entitled to having his/her supplementary pension calculated according to the most favourable of the following three alternatives:

- 100 per cent of his/her own supplementary pension
- 55 per cent of the supplementary pension of the deceased person
- 55 per cent of the total of his/her own supplementary pension and that of the deceased spouse.

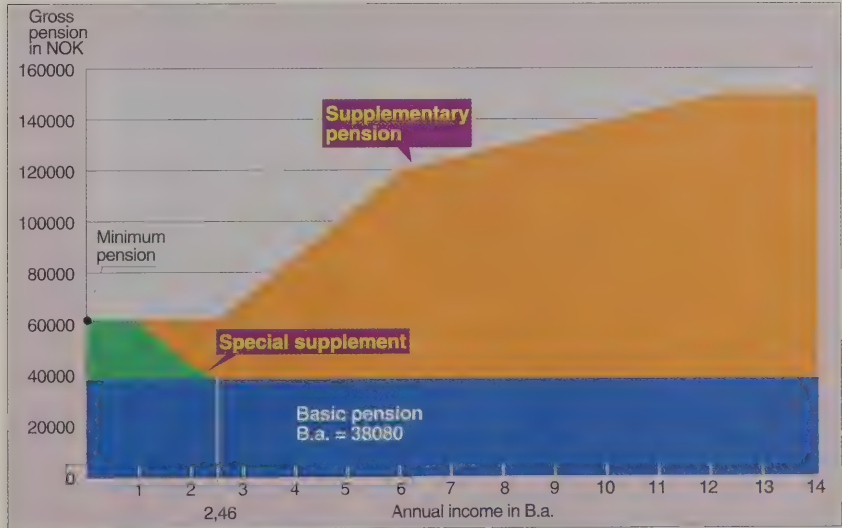
The provisions imply that some surviving old age or disability pensioners where both spouses are/would have been entitled to supplementary pension, may receive considerably higher benefits than they would if the pension had been calculated on the basis of their own pension earning only. Such a system will be difficult to justify in the future when more and more pensioners will be entitled to their own supplementary pension.

Proposals

- The percentage used for the calculation of supplementary pension on the basis of the combined supplementary pension earned by the surviving spouse and that of the deceased will be reduced from 55 per cent to 45 per cent. The adjustment may reduce the future level of old-age and disability pension both for widows and widowers, but in particular for those entitled to a relatively high supplementary pension themselves and where the deceased spouse were entitled to a high supplementary pension.

The amendments will only apply to future pensioners.

- Widows/widowers supporting small children will have their benefit schemes enhanced, i.a. the child care allowance, cf. Section 3 concerning single supporters.



The pension system of the National Insurance Scheme
(Source: Ministry of Health and Social Affairs.)

INCREASED HOUSING ALLOWANCE FOR PENSIONERS

Surveys on living conditions shows that single, elderly women, particular those living in the cities, are among those having the lowest income. Many elderly women are receiving minimum pensions due to low occupational activity or because they were occupationally active before the introduction of the National Insurance Scheme.

Proposals

- The means-tested housing allowance aimed at pensioners with high living expenses and low income will be enhanced in order to increase the living conditions of elderly persons.

COHABITANTS AND MARRIED COUPLES

Cohabitants have lower household costs per person than single persons. However, they do not have the reciprocal responsibility to support the spouse, as married persons have. Cohabitants having or who have had children together or who have formerly been married to each other, have today the same entitlement to social security benefits as married persons. However, other couples living as cohabitants are treated as two single persons with respect to social security benefits. The variety of forms of cohabitation and the lack of liability to support the cohabitant makes it very difficult to create common provisions for cohabitants and married persons. At the same time the steadily increasing number of cohabitant couples will make it desirable to increase the degree of equal treatment of long-term cohabitant relationships and marriage with regard to social security.

Proposals

- The Government will initiate a comprehensive public survey on the implications of cohabitation on civil and public law with regard to entitlements and liabilities.

IMPROVED ECONOMIC SECURITY IN CASE OF DIVORCE

The Government will secure divorced women better economic security through amendments of the Marriage Act. This will have implications on the economy of divorced women both before and after retirement.

The Government will not propose a sharing of entitlement to pension at the divorce. This will increase the costs of the National Insurance Scheme and will make the National Insurance Scheme considerably more complicated.

MEANS-TESTED FUNERAL GRANT

The funeral grant should continue to be a benefit under the National Insurance Scheme. The grant should, however, be targeted better towards persons with low ability to pay.

Proposals

- The funeral grant of NOK 4 000 of the National Insurance Scheme will be maintained.

- A means-tested funeral supplement of up to NOK 8 000 will be introduced in the National Insurance Scheme.

The scheme will be administered by the National Insurance Administration.

The increasing number of cohabitations necessitates a comprehensive public survey of the implications of cohabitation with regard to entitlements and liabilities.



- *Tax advantages for pension insurance will be maintained.*
- *Mandatory pension earning in TPES during care and attendance leave.*
- *Transfer to linear pension earning.*
- *Maximum allowed total degree of compensation.*

6.

Tax advantages for pension insurance purposes will be maintained

The National Insurance Scheme is the main element of our pension system. The Service Pension Schemes according to the Taxation Act (TPES) and the Private Pension Insurance Scheme according to the Taxation Act (EPES) are aimed at pension coverage beyond the level of the National Insurance Scheme. The financing of such schemes are supported by the granting of special tax advantages. The Government intends to maintain these provisions, but will make clearer conditions for granting the tax advantages.

The main principle is that the supplementary pension schemes must be designed in such a way that they are supporting the National Insurance Scheme as our common pension scheme and are upholding the Work Approach. The schemes should consequently be designed in a way that takes into account important redistribution considerations and stimulate the seniors of the labour market to continued occupational activity.

LINEAR PENSION EARNING AND PENSION EARNING TIME

Today's earning of entitlement to pension through the TPES scheme implies that the contributions normally do not cover the additional pension liabilities in years the salary are increased. Linear pension earning means that entitlement to pension benefits is earned proportionally from the salary at any time. A linear pension earning will provide for a more equal distribution of the pension premiums over the working career.

In order to reinforce the Work Approach it is desirably to stimulate a continued occupational activity of the seniors of the labour market. Linear pension earning is a measure that may enhance the situation of the elderly persons on the labour market.

Proposals

- Mandatory transfer to a system of linear pension earning. This condition will be limited to future pension earning.
- A requirement of 40 years of future pension earning in order to be entitled to a full pension, will be introduced. The condition will not apply to existing service pension agreements.

PENSION EARNING DURING CARE AND ATTENDANCE LEAVE

A basic element of the Work Approach is to form the pension schemes in a way that strengthens the ties to the labour market, both for men and women.

In 1992 the Parliament introduced in the National Insurance Scheme provisions for pension earning for unpaid work. The same principle does not apply within the TPES schemes. In these schemes a person unable to work due to care and attendance obligations, will normally fail to earn pension benefits for this period.

Proposals

- Mandatory pension earning also in TPES for care and attendance leave which are giving entitlement to pension points in the National Insurance Scheme.
- The Government will secure the economic freedom of the companies in connection with the amendment of the provisions. Permission will be granted to close existing schemes and create a new TPES scheme for persons employed after the implementation of the new provisions.

MAXIMUM LIMIT TO THE DEGREE OF COMPENSATION*

The Government wants to improve the redistribution profile within the tax favoured service pension schemes. This may be obtained by the introduction of a maximum degree of compensation for service pension and the National Insurance Scheme as a whole.

Proposals

- Maximum allowed degree of compensation (for the National Insurance Scheme and TPES as a whole) will be 90 per cent of salary between 6 B.a. and 9 B.a. and 60 per cent of salary between 9 B.a. and 12 B.a.

RETIREMENT AGE OF 67 AND CONTINUED TAX ADVANTAGES

Following the need to increase the actual retirement age, the Government is in favour of maintaining the retirement age of the private service pension schemes according to the Taxation Act (TPES).

The pension insurance schemes are favoured by the tax system, and this is an incorporated part of the financing of current service pension schemes. The requirement of stable conditions for such schemes must be emphasised.

Proposals

- The tax advantages connected to contributions to service pension schemes according to the Taxation Act (TPES) and to private pension schemes according to the Taxation Act (EPES) will continue to apply.

LIMITATIONS AS TO WHOM THE PENSION INSURANCE MAY BENEFIT

According to provisions applicable today all heirs descending in direct line may be covered by the private pension insurance according to the Taxation Act, irrespective of the heir's age.

Consequently, adult persons may receive a pension after his/her parents, something which is in breach of the intentions behind the pension insurance system.

The Government, not able to see any reason for the benefiting of heirs descending in an unlimited line and irrespective of age, wants to make a clear division between pension insurance and pure pension saving.

Proposals

Tax deductions will not be granted for pension insurance for the benefit of heirs descending in direct line, exceeding what is applicable for child pension (i.e. up to 21 years of age).

INDIVIDUAL ANNUITIES

A person buying annuities is entitled to considerable tax benefits. Ordinary saving for old age, however, should be treated equal to other forms of saving and not be subject to favourable treatment with regard to tax.

Proposals

- The favourable tax provisions concerning individual annuity will be abolished.

The Government will maintain the tax advantages for pension insurance.



* The sum of the service pension and a standard calculated National Insurance pension in relation to the salary at retirement.

- *The Government will promote a more efficient administration of the welfare schemes.*
- *The proposed measures will have effect in a longer perspective.*

7.

Improved administration - dividends in the future

In the Welfare White Paper the Government proposes amendments that reinforces the Work Approach and makes the welfare schemes more in line with their purposes. The purpose of the proposals is to contribute to high employment and to improve the redistribution profile of the total welfare system. The schemes will be adapted to the social development and contribute to secure the economic basis of the welfare.

SIMPLER AND BETTER

It is a goal to contribute to a more efficient administration of the public welfare schemes. To provide good service and availability for the public are essential. Systematic quality control and more distinct priorities will ascertain a more efficient exploitation of the public resources.

The public welfare schemes may often be considered complicated by both beneficiaries, intermediaries and administrators.

The Government emphasises the need for clear and understandable criteria for obtaining benefits from the welfare schemes. This will increase the legal certainty of the person concerned.

The Government will propose a simplified National Insurance Act. The new act will be easier to administer and will contribute to increased legal certainty for the beneficiaries of the welfare schemes.

A strengthening of the competence of the administration of the welfare schemes, will be of great importance in order to obtain an efficient exploitation of public resources and high quality in the executive work and in the services supplied. The Government will, therefore, support the improvement of competence in the administrations. In the White Paper the Government has outlined some measures to promote competence in the care and attendance services.

The Government will endeavour to make the measures of the welfare schemes to appear co-ordinated, with comprehensive and rational solutions for the person concerned. It is, therefore, foreseen a close co-operation between the local social assistance office, the labour

market office, the local National Insurance Office and the person concerned in order to avoid the beneficiaries from being thrown in between different kinds of administrations. The administrations will, however, maintain their areas of responsibility.

Some of the measures proposed by the Government in the White Paper will reduce public expenditure. Other measures will, regarded separately, increase expenditure.

Some of the measures proposed to stimulate the combination of social security benefits and work, might lead to increased expenses for the National Insurance Scheme. The increase of the transitional benefit to single supporters, the introduction of a special supplement for supporting small children and the adjustment of benefits to young disabled persons, might also

increase the expenses of the National Insurance Scheme. In total, however, the amendments are aimed at being of benefit in the long run. The Government's economic policy and a successful implementation of the Work Approach will lead to a higher labour market participation rate, and consequently an increased production, higher tax revenues, and reduced public expenditure.

There are no simple solutions in order to secure the basis of the welfare schemes. The Government will, therefore, pursue an extensive and comprehensive strategy, where the economic policy, a long range policy and frequent follow up of schemes and measures which promote the Work Approach, is of vital importance. If we succeed, it is the Government's view that we are well prepared to face the challenges to the welfare state.

The Government will make it easier for the person concerned to find his/her way to the correct office of the welfare administration. The picture shows the Ministry of Health and Social Affairs.



I-0814 E

Summary Version of the Welfare White Paper

Further copies can be ordered from:

The Norwegian Ministry of Health and Social Affairs
The Information Office
PO Box 8011 Dep
0030 Oslo
Fax 22 34 27 12

Graphic design: Grafisk Consult

Photo: Page 1 Husmo-foto, Alvis Upittis/The Image.
Photo: Page 4 Husmo-foto, Photo: Page 6 Husmo-foto.
Photo: Page 7 Bodil Fagerheim, Photo: Page 8 Kjell Chr.
Gripstad. Photo: Page 11 Jean Hermanson/Mira/Samfoto.
Photo: Page 13 Svein Erik Dahl/Samfoto.
Photo: Page 14 Husmo-foto. Photo: Page 16 Husmo-foto.
Photo: Page 18 Rune Liserud/Samfoto.
Photo: Page 19 Jon Petter Reinertsen/Samfoto

Printed by WG Grafisk.